



TEXAS ATTORNEY GENERAL OFFERS TAX SEASON TIPS

by Texas Attorney General Greg Abbott

WITH THE APRIL 15 FEDERAL INCOME TAX filing deadline fast approaching, many Texans will undoubtedly encounter billboards, e-mails and direct mail that advertises tax return-related services. As with any contractual agreement, Texans should carefully read the fine print before entering into a financial transaction involving their income tax returns. Taxpayers who understand the nature of these agreements are more likely to make informed decisions that just might save some of their hard-earned money.

For example, Texans should always avoid tax preparation services that “guarantee” the largest possible tax return. Under federal law, any deductions tax preparers make for their clients must be accurate and legally permissible. Tax preparers that submit false information in order to obtain larger refunds for a client (and higher fees for the preparer), put their clients in legal jeopardy. Competent, legitimate tax preparers will not hesitate to sign their clients’ tax return, so Texans should always avoid preparation services that refuse to sign their clients’ tax returns. Taxpayers who believe a tax preparer is not complying with the law should file a complaint with the Office of the Attorney General.

Many businesses market “instant cash” to taxpayers seeking quick access to their income tax refunds. Tax preparation services, automobile dealerships, furniture outlets and other vendors typically market tax refund anticipation loans as an “instant cash advance” against a borrower’s expected tax refund. Frequently, the “instant cash” is actually a loan that the taxpayer must repay. Refund anticipation loans often carry processing fees and high interest rates, so the amount of advance cash the taxpayer receives is typically less than the refund they are owed by the federal government.

Under Texas law, refund anticipation loans are perfectly legal as long as lenders fully and clearly disclose certain details to borrowers. Refund anticipation lenders must provide the estimated fees charged for the loan, the annual interest rate and the loan fee schedule in writing. Lenders who advertise in Spanish must provide the same required disclosures in Spanish.

Refund anticipation lenders must also inform borrowers about the average time it takes to receive a refund directly from the IRS, which now offers electronic tax filing and direct deposit refunds. Both significantly speed up the process. According to the

IRS Web site, electronic refunds can be processed and deposited into taxpayers’ bank accounts within 10 days. With that in mind, taxpayers should carefully consider which option is in their best interest: instant cash refunds reduced by interest and lender fees or a full refund from the IRS at a later date.

Although many Texans would prefer not to pay their taxes, it is well settled law that federal income taxes are NOT voluntary. Any tax professional claiming to uniformly exempt taxpayers from their federal income tax liability should be handled with caution. U.S. courts have repeatedly rejected the argument that taxes are voluntary or optional.

Finally, taxpayers should beware of unsolicited telephone calls and e-mails from individuals claiming to be IRS agents. During the sham telephone calls, the fake agents may claim tax refunds are available via direct deposit in order to obtain the taxpayers’ Social Security numbers and bank account information.

Texans who receive such calls or e-mails must recognize that these are bogus attempts to steal taxpayers’ identities. The IRS does not unexpectedly call taxpayers to demand their personal information. Taxpayers solicited in this manner should just hang up or delete the e-mails.

POINTS TO REMEMBER



TAX SEASON TIPS

- Read tax returns carefully before signing them. Never sign a form with spaces left blank. Taxpayers are responsible even if their returns are prepared by someone else.
- Consider carefully whether a high-interest refund anticipation loan is more favorable than waiting for a larger check directly from the IRS.
- **HANG UP** on scammers who call unexpectedly and pose as IRS agents.
- Contact your local tax-assessor collector to file a homestead exemption free of charge.

Additional information on tax-related scams and questions is available directly from the **IRS** at www.irs.gov or by calling (800) 829-1040.

To report a tax preparer who is not complying with the law, or to report fraudulent telephone solicitations, file a complaint with the **Office of the Attorney General** online at www.texasattorneygeneral.gov or by calling (800) 252-8011.



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